

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Menominee County	County Menominee
Fiscal Year End 9/30/07	Opinion Date 3/21/08	Date Audit Report Submitted to State 4/5/08	

We affirm that:

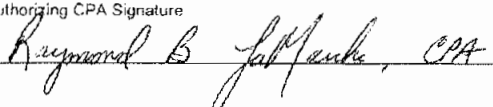
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☐ ☒ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 letter	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111	
Street Address 901 Ludington Street		City Escanaba	State MI
		Zip 49829	
Authorizing CPA Signature 		Printed Name Raymond B. LaMarche, CPA	License Number 1101025531

**COUNTY OF MENOMINEE, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2007**

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	3
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	18
Statement of Net Assets - Proprietary Funds .....	19
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds .....	20
Statement of Cash Flows - Proprietary Funds .....	21
Statement of Fiduciary Net Assets .....	22
Notes to the Basic Financial Statements .....	23
<b>Required Supplemental Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund .....	50
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Revenue Sharing Reserve .....	51

## TABLE OF CONTENTS

	<u>Page</u>
<b>Other Supplemental Information:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	59
Combining Statement of Fiduciary Net Assets - Agency Funds .....	65
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	67



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
County of Menominee  
Menominee, Michigan 49858

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Menominee, Michigan as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Menominee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Menominee County Road Commission, which represents 100 percent of the activity of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Menominee County Road Commission, is based on the report of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Menominee, Michigan as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008, on our consideration of the County of Menominee, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 12 and 50 and 51, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Menominee's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 21, 2008

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Menominee County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2007. Please read it in conjunction with the County's financial statements, which begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the County were reported at \$13,792,771, an increase of \$1,531,966 (12.5%) over 2006. Net assets for our business-type activities were \$2,246,199 or 16% of total net assets, while net assets in our governmental activities were \$11,546,572 or 84% of total net assets.
- The County's expenses for the year totaled \$9,210,688, an increase of \$12,681 over 2006, while revenues from all sources totaled \$10,742,654, an increase of \$618,311 (6.1%). Expenses remained relatively level, while the primary increase in revenue for 2007 was due to the shift in the property tax collections for the General Fund from December to July, which requires the County to levy an additional 1/3 of their normal operating levy. Additionally, the County sold a piece of property that accounted for approximately \$237,000 of unbudgeted revenue.
- The General Fund reported an increase in fund balance of \$564,773, representing an increase in fund balance of 14%. This was after revenues of \$6,571,378 compared to \$6,037,039 in 2006, and expenditures of \$6,052,607 compared to expenditures of \$5,960,696 in 2006. In 2007, the County transferred \$485,269 from the Revenue Sharing Reserve Fund in-lieu of receiving State revenue sharing.

### **USING THIS REPORT**

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## Reporting the County as a whole

### Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets, the difference between assets and liabilities, as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The P.A. 123 foreclosure activity and the collection of delinquent property taxes primarily make up these activities.

The County also presents one legally separate component unit, the County Road Commission. A separate financial statement is available for the County Road Commission and is available at their administrative offices.

## Reporting the County's Most Significant Funds

### Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.



- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides -- whether to outside customers or to other units of the County -- these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

### **The County as a Trustee**

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## The County as a Whole

The County's combined net assets increased by \$1,531,966.

**Table 1**  
**Net Assets**

	Governmental Activities 2006	Governmental Activities 2007	Business-Type Activities 2006	Business-Type Activities 2007
Current and other assets	\$ 8,243,214	\$ 9,901,497	\$ 2,366,524	\$ 2,444,431
Capital assets (net)	2,936,730	3,035,458	-	-
Total Assets	<u>11,179,944</u>	<u>12,936,955</u>	<u>2,366,524</u>	<u>2,444,431</u>
Long-term debt outstanding	569,538	617,398	-	-
Other liabilities	517,665	772,985	198,460	198,232
Total Liabilities	<u>1,087,203</u>	<u>1,390,383</u>	<u>198,460</u>	<u>198,232</u>
Net Assets:				
Invested in capital assets, net of related debt	2,936,730	3,035,458	-	-
Restricted assets:				
Expendable	1,475,314	2,157,555	-	-
Unexpendable	2,187	2,000		
Unrestricted	5,678,510	6,351,559	2,168,064	2,246,199
Total net assets	<u>\$ 10,092,741</u>	<u>\$ 11,546,572</u>	<u>\$ 2,168,064</u>	<u>\$ 2,246,199</u>

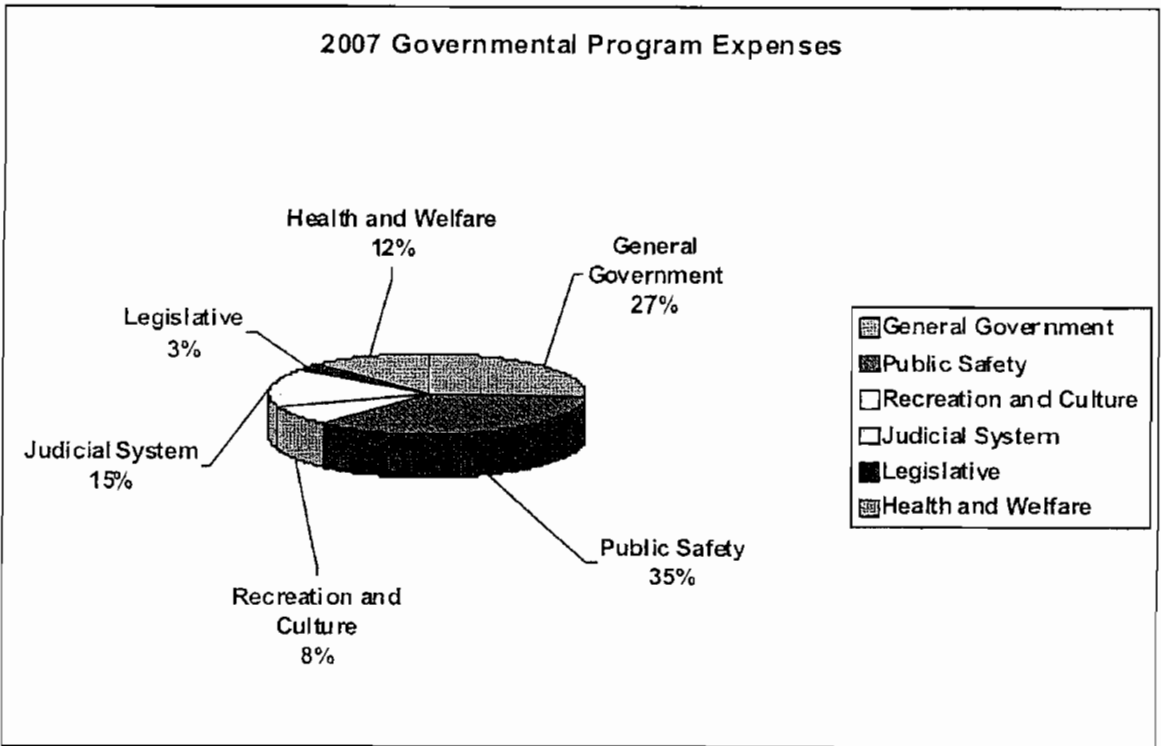
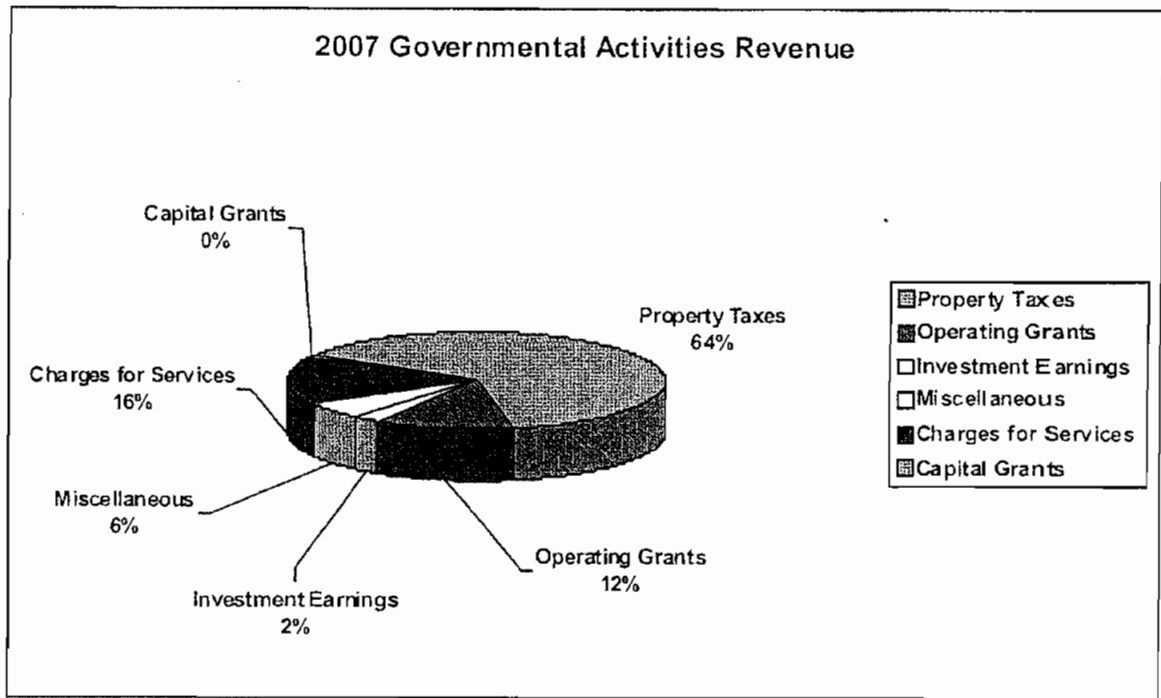
Net assets of the County's governmental activities stood at \$11,546,572. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$6,351,559.

Net assets in our business-type activities stood at \$2,246,199, which were entirely unrestricted as of September 30, 2007.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities 2006	Governmental Activities 2007	Business-Type Activities 2006	Business-Type Activities 2007
<b>Revenues:</b>				
Program Revenues:				
Charges for services	\$ 1,644,247	\$ 1,661,143	\$ 311,622	\$ 356,436
Operating grants	1,303,304	1,247,863	-	-
Capital grants	363,144	50,174	-	-
General Revenues:				
Property taxes	6,090,642	6,574,104	-	-
Unrestricted investment earnings	227,579	229,721	-	36,456
Miscellaneous	183,805	586,757	-	-
Total Revenues	<u>9,812,721</u>	<u>10,349,762</u>	<u>311,622</u>	<u>392,892</u>
<b>Program Expenses:</b>				
Legislative	247,842	254,583	-	-
Judicial system	1,336,240	1,380,595	-	-
General government	2,463,482	2,458,612	-	-
Public safety	3,238,335	3,200,905	-	-
Health and welfare	1,092,334	1,130,667	-	-
Recreation and culture	668,749	776,240	-	-
Community & economic development	20,000	-	-	-
Other	120,580	-	-	-
P.A. 123 foreclosure	-	-	9,258	7,815
Delinquent tax revolving	-	-	1,187	1,271
Total Expenses	<u>9,187,562</u>	<u>9,201,602</u>	<u>10,445</u>	<u>9,086</u>
Excess (deficiency) before transfers and contributions	625,159	1,148,160	301,177	383,806
Transfers	<u>321,485</u>	<u>305,671</u>	<u>(321,485)</u>	<u>(305,671)</u>
Increase (decrease) in net assets	946,644	1,453,831	(20,308)	78,135
Net assets - beginning	<u>9,146,097</u>	<u>10,092,741</u>	<u>2,188,372</u>	<u>2,168,064</u>
Net assets - ending	<u>\$ 10,092,741</u>	<u>\$ 11,546,572</u>	<u>\$ 2,168,064</u>	<u>\$ 2,246,199</u>

Governmental Activities



## Governmental Activities

Revenues for the County's governmental activities totaled \$10,655,433, while expenses were \$9,201,602. The excess of revenue over expenses was \$1,453,831, this was generally the result of the shifted tax collection and the establishment of the revenue sharing replacement account, which can only be expended per state guidelines. It also reflects elimination of several positions that were budgeted but not filled after retirements, as well as proceeds from the sale of the former BAMC building and property.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Recreation and Culture, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services 2006	Total Cost of Services 2007	Net Cost of Services 2006	Net Cost of Services 2007
Public safety	\$ 3,238,335	\$ 3,200,905	\$ 2,076,167	\$ 2,353,655
General government	2,463,482	2,458,612	1,955,445	1,941,500
Judicial system	1,336,240	1,380,595	201,426	326,835
Health and welfare	1,092,334	1,130,667	892,058	897,969
Recreation and culture	668,749	776,240	363,349	467,880
Totals	<u>\$ 8,799,140</u>	<u>\$ 8,947,019</u>	<u>\$ 5,488,445</u>	<u>\$ 5,987,839</u>

## Business-Type Activities

The County's business-type activities net assets totaled \$2,246,199, with an increase in the current year of \$78,135.

## THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

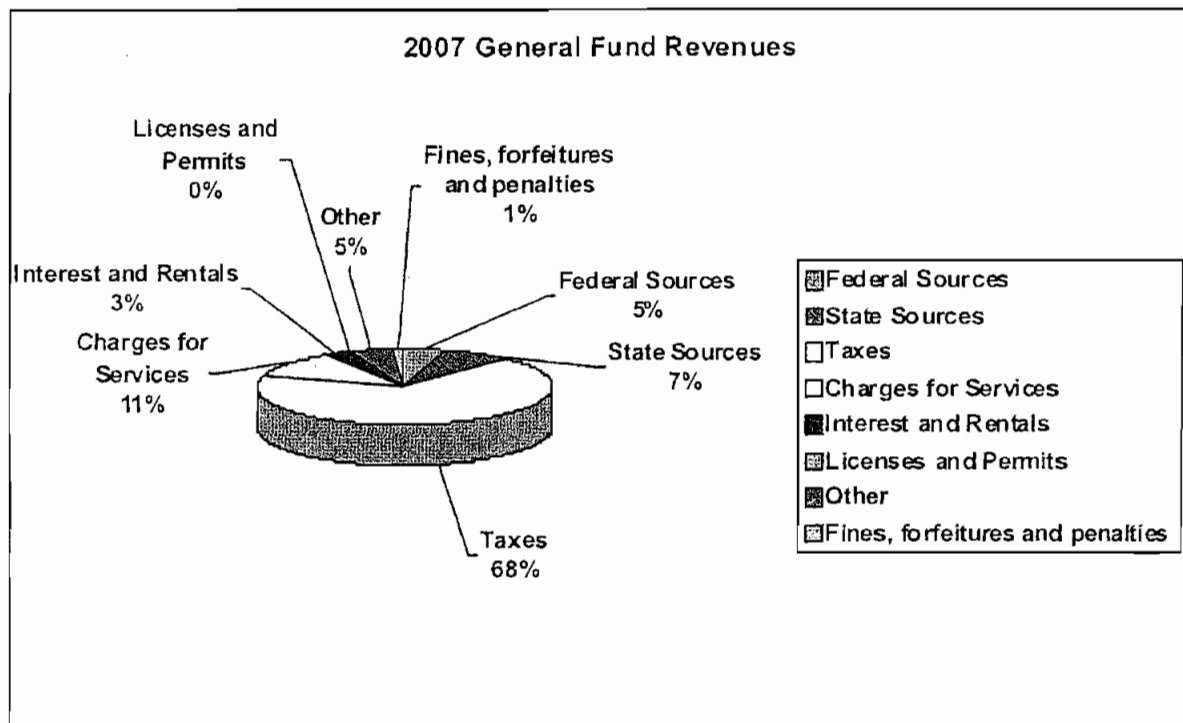
For the current fiscal year the County's governmental funds reported total fund balance of \$6,903,777, of which, \$6,901,546 was unreserved. The General Fund unreserved fund balance amounted to \$4,601,514, with \$2,448,694 designated for future expenditures. The General Fund had an increase in fund balance of \$564,773, representing an increase of 14% over the prior year fund balance.

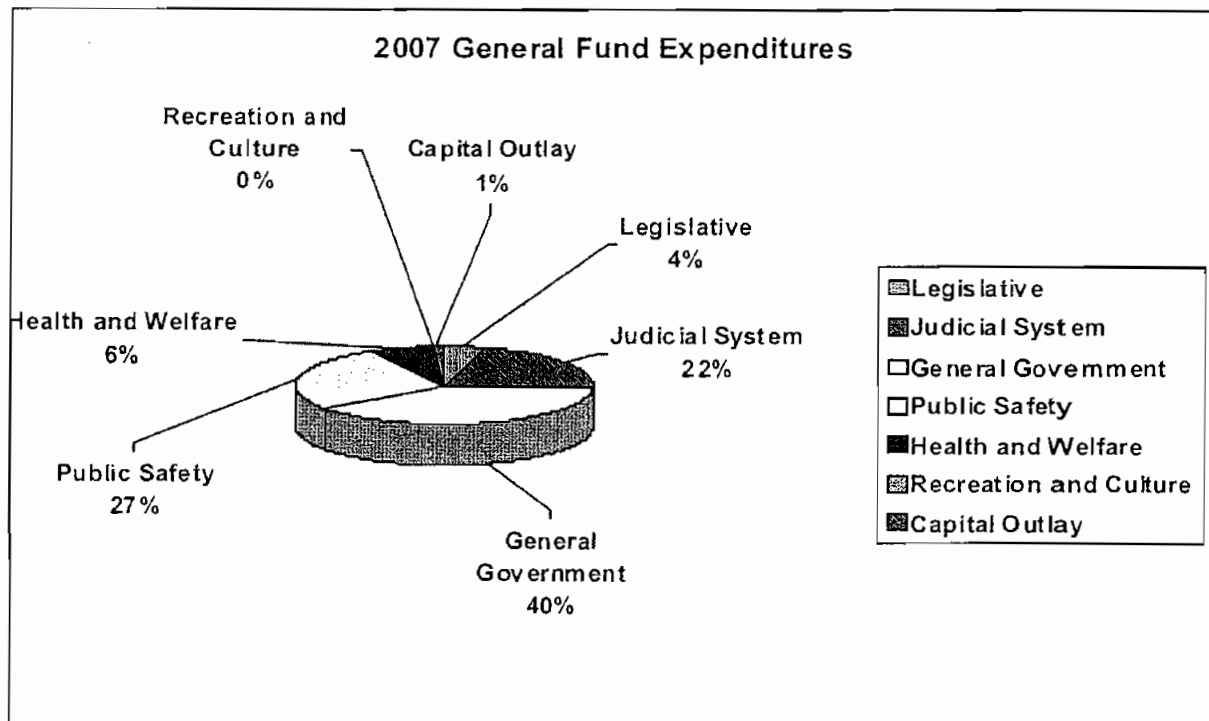
In fiscal year 2005, in accordance Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to supplement the State revenue sharing payments for the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2007, the County placed \$1,159,297 in property taxes from the December 2006 levy into the Revenue Sharing Reserve Fund and also transferred \$485,269 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property taxes, the Act allowed the County to levy a full property tax levy in July and that amount has been recognized as revenue in the General Fund.

### General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$63,271, representing an increase of about 1%. The budgeted expenditures of the final amended budget increased by \$317,395 over the original budget, representing an increase of 5.6%. The final amended budget projected a deficit of \$137,962, while the actual results showed an increase to fund balance of \$564,773. Expenses were controlled by the attrition of positions which had been budgeted, as well as a prorated increase in health insurance costs of 6%, 7% and 8% depending on coverage level as opposed to the budgeted 10% increase. Revenue was spiked by the funds from the sale of the BMAC building as well.

### General Fund





## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2007, the County had \$3,035,458, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks and land. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
(net of accumulated depreciation)

	Governmental Activities 2006	Governmental Activities 2007
Land	\$ 193,709	\$ 193,709
Land improvements	98,389	72,787
Buildings and improvements	1,742,277	1,759,775
Machinery and equipment	902,355	1,009,187
Total	<u>\$ 2,936,730</u>	<u>\$ 3,035,458</u>

## DEBT

At year-end the County had a \$50,000 note outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities 2006	Governmental Activities 2007
Note payable to Wells Fargo Bank for community development revolving loan program	\$ 50,000	\$ 50,000
Compensated absences	418,580	466,320
Alternative retirement	274,138	290,212

There were no additions to long-term debt this fiscal year. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County is well below statutory limits.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of the future of State revenue sharing, particularly if it will ever return, as well as other changes in State government which will effect the way programs and services are provided and funded. The economy in the Menominee County area appears to be flat in relation to job growth, and in fact seems to be losing some ground. The cost of living in the Menominee County area is at the national and State average. The growth of other costs continue to rise at the national inflation rate and in some cases lower, and other cases higher. Health care costs continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2007 budget, and while some progress has been made contract negotiations will center on the employees paying 10% of the premium costs, so that they have a more vested interest in the cost of the plan. Fuel prices, and heating costs continue to grow disproportionately and have significant impact on the cost of operations.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Menominee County Courthouse, 839 10<sup>th</sup> Avenue, Menominee, Michigan, 49858.



**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**September 30, 2007**

	Primary Government			Component Unit
	Governmental	Business-Type		Road
	Activities	Activities	Total	Commission
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,279,929	\$ 1,664,198	\$ 6,944,127	\$ 894,703
Investments	171,793	-	171,793	559,149
Receivables:				
Accounts	35,268	54,018	89,286	14,612
Taxes	1,535,115	-	1,535,115	-
Delinquent taxes	-	532,107	532,107	-
Interest	19,294	60,359	79,653	-
Due from other governmental units	226,232	722	226,954	918,039
Internal balances	205,225	-	205,225	-
Prepays	28,794	-	28,794	-
Inventory	-	-	-	614,875
Total current assets	<u>7,501,650</u>	<u>2,311,404</u>	<u>9,813,054</u>	<u>3,001,378</u>
Noncurrent assets:				
Delinquent taxes	-	133,027	133,027	-
Equity interest in Twin County Airport	2,407,272	-	2,407,272	-
Capital assets, net of accumulated depreciation	3,035,458	-	3,035,458	29,928,411
Total noncurrent assets	<u>5,442,730</u>	<u>133,027</u>	<u>5,575,757</u>	<u>29,928,411</u>
Total assets	<u>\$ 12,944,380</u>	<u>\$ 2,444,431</u>	<u>\$ 15,388,811</u>	<u>\$ 32,929,789</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 512,208	\$ 1,007	\$ 513,215	\$ 216,919
Accrued payroll	79,068	-	79,068	79,080
Internal balances	-	197,225	197,225	-
Due to other governmental units	-	-	-	153,694
Deferred revenue	-	-	-	10,891
Long-term liabilities due within one year:				
Compensated absences	189,134	-	189,134	-
Total current liabilities	<u>780,410</u>	<u>198,232</u>	<u>978,642</u>	<u>460,584</u>
Long-term liabilities:				
Advances	-	-	-	172,119
Compensated absences	567,398	-	567,398	263,121
Notes payable	50,000	-	50,000	-
Total long-term liabilities	<u>617,398</u>	<u>-</u>	<u>617,398</u>	<u>435,240</u>
Total liabilities	<u>1,397,808</u>	<u>198,232</u>	<u>1,596,040</u>	<u>895,824</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debts	3,035,458	-	3,035,458	29,928,411
Restricted for:				
Expendable:				
Special revenue	2,155,324	-	2,155,324	-
Permanent fund	231	-	231	-
County Roads	-	-	-	2,105,554
Unexpendable	2,000	-	2,000	-
Unrestricted	6,353,559	2,246,199	8,599,758	-
Total net assets	<u>11,546,572</u>	<u>2,246,199</u>	<u>13,792,771</u>	<u>32,033,965</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,944,380</u>	<u>\$ 2,444,431</u>	<u>\$ 15,388,811</u>	<u>\$ 32,929,789</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2007**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Primary Government		Component Units
				Governmental Activities	Business-type Activities	
<b>Primary government:</b>						
Legislative	\$ 254,583	\$ -	\$ -	\$ (254,583)	\$ -	\$ -
Judicial system	1,380,595	418,233	635,527	(326,835)	-	(326,835)
General government	2,458,612	376,559	140,553	(1,941,500)	-	(1,941,500)
Public safety	3,200,905	553,014	254,062	(2,353,655)	-	(2,353,655)
Health and welfare	1,130,667	29,207	203,491	(897,969)	-	(897,969)
Recreation and culture	776,240	284,130	14,230	(467,880)	-	(467,880)
Community and economic development	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total governmental activities	9,201,602	1,661,143	1,247,863	(6,242,422)	-	(6,242,422)
<b>Business-type activities:</b>						
P.A. 123 foreclosure	7,815	183,769	-	-	175,954	175,954
DTRF	1,271	172,667	-	-	171,396	171,396
Total business-type activities	9,086	356,436	-	-	347,350	347,350
<b>Total primary government</b>	<b>9,210,688</b>	<b>2,017,579</b>	<b>1,247,863</b>	<b>(6,242,422)</b>	<b>347,350</b>	<b>(5,895,072)</b>
<b>Component units:</b>						
Road Commission	\$ 5,614,849	\$ 630,137	\$ 3,519,197	\$ -	\$ -	\$ 512,303
<b>General revenues:</b>						
Property taxes				6,574,104	-	6,574,104
Grants and contributions not restricted to specific programs				65,241	-	65,241
Unrestricted investment earnings				229,721	36,456	266,177
Miscellaneous				521,516	-	521,516
Transfers				305,671	(305,671)	-
<b>Total general revenues and transfers</b>				<b>7,696,253</b>	<b>(269,215)</b>	<b>12,998</b>
<b>Change in net assets</b>				<b>1,453,831</b>	<b>78,135</b>	<b>525,301</b>
<b>Net assets, beginning</b>				<b>10,092,741</b>	<b>2,168,064</b>	<b>31,508,664</b>
<b>Net assets, ending</b>				<b>\$ 11,546,572</b>	<b>\$ 2,246,199</b>	<b>\$ 32,033,965</b>

See accompanying notes to financial statements

**COUNTY OF MENOMINEE, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2007

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 4,058,276	\$ 912,527	\$ 309,126	\$ 5,279,929
Investments	171,793	-	-	171,793
Receivables:				
Accounts	12,495	-	22,773	35,268
Taxes	1,535,115	-	-	1,535,115
Interest	14,625	4,669	-	19,294
Due from other funds	211,078	1,156,983	3,688	1,371,749
Due from State of Michigan	134,385	-	91,847	226,232
Prepaid expense	28,794	-	-	28,794
Total assets	<u>\$ 6,166,561</u>	<u>\$ 2,074,179</u>	<u>\$ 427,434</u>	<u>\$ 8,668,174</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 349,158	\$ -	\$ 163,050	\$ 512,208
Accrued payroll	51,718	-	27,350	79,068
Due to other funds	1,160,671	5,853	-	1,166,524
Deferred revenue	3,500	-	3,097	6,597
Total liabilities	<u>1,565,047</u>	<u>5,853</u>	<u>193,497</u>	<u>1,764,397</u>
<b>FUND BALANCES</b>				
Unreserved:				
Designated	2,448,694	-	-	2,448,694
Undesignated	2,152,820	2,068,326	-	4,221,146
Unreserved, reported as non-major:				
Special revenue funds	-	-	231,706	231,706
Reserved	-	-	2,231	2,231
Total fund balances	<u>4,601,514</u>	<u>2,068,326</u>	<u>233,937</u>	<u>6,903,777</u>
Total liabilities and fund balances	<u>\$ 6,166,561</u>	<u>\$ 2,074,179</u>	<u>\$ 427,434</u>	<u>\$ 8,668,174</u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
September 30, 2007

Total fund balances for governmental funds	\$	6,903,777
--	----	-----------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	273,991		
Buildings and improvements	4,206,110		
Machinery and equipment	2,166,070		
Accumulated depreciation	(3,610,713)		
Total capital assets			3,035,458

The County maintains a 50% equity interest in the net assets of the Twin County Airport Commission. 50% of the net assets of the Twin County Airport Commission amounted to:

2,407,272

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Notes payable	(50,000)		
Compensated absences	(756,532)		
			(806,532)

In the governmental fund statements, the County recorded monies received as a deferred revenue, this amount has been recognized as revenue in the statement of activities.

6,597

Total net assets of governmental activities

\$ 11,546,572

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2007**

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 4,475,076	\$ 1,159,297	\$ 939,731	\$ 6,574,104
Licenses and permits	14,819	-	-	14,819
Federal sources	299,446	-	83,924	383,370
State sources	476,290	-	481,622	957,912
Local sources	20,028	-	97,442	117,470
Charges for services	714,067	-	653,316	1,367,383
Fines, forfeitures and penalties	73,675	-	97,819	171,494
Interest and rentals	182,947	46,774	44	229,765
Other	315,030	-	30,840	345,870
Total revenues	<u>6,571,378</u>	<u>1,206,071</u>	<u>2,384,738</u>	<u>10,162,187</u>
<b>EXPENDITURES:</b>				
Legislative	250,766	-	-	250,766
Judicial system	1,314,817	-	14,407	1,329,224
General government	2,351,298	70	204,309	2,555,677
Public safety	1,653,084	-	1,389,957	3,043,041
Health and welfare	390,717	-	736,255	1,126,972
Recreation and cultural	13,600	-	741,993	755,593
Community and economic development	-	-	-	-
Capital outlay	78,325	-	96,918	175,243
Other	-	-	-	-
Total expenditures	<u>6,052,607</u>	<u>70</u>	<u>3,183,839</u>	<u>9,236,516</u>
Excess revenues (expenditures)	<u>518,771</u>	<u>1,206,001</u>	<u>(799,101)</u>	<u>925,671</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	790,939	-	744,937	1,535,876
Transfer out	(744,937)	(485,269)	-	(1,230,206)
Total other financing sources (uses)	<u>46,002</u>	<u>(485,269)</u>	<u>744,937</u>	<u>305,670</u>
Net change in fund balance	<u>564,773</u>	<u>720,732</u>	<u>(54,164)</u>	<u>1,231,341</u>
Fund balances - beginning of year	<u>4,036,741</u>	<u>1,347,594</u>	<u>288,101</u>	<u>5,672,436</u>
Fund balances - end of year	<u>\$ 4,601,514</u>	<u>\$ 2,068,326</u>	<u>\$ 233,937</u>	<u>\$ 6,903,777</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2007**

Net changes in fund balances - total governmental funds	\$ 1,231,341
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$418,087) exceeded depreciation expense (\$304,930).	113,157
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	
Compensated absences	(63,817)
Revenue which was deferred in the fund financial statements but recognized in the government-wide financial statements.	1,089
Change in value of the equity interest in the airport on the government-wide financial statements.	186,489
Loss on the sale of assets which is recognized in the government-wide financial statements.	(14,428)
Changes in net assets of governmental activities	<u>\$ 1,453,831</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2007**

	DTRF	Nonmajor Enterprise Fund P.A. 123 Foreclosure	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 1,434,904	\$ 229,294	\$ 1,664,198
Receivables:			
Accounts	53,592	426	54,018
Delinquent taxes	532,107	-	532,107
Interest	60,359	-	60,359
Due from other governmental units	722	-	722
Total current assets	<u>2,081,684</u>	<u>229,720</u>	<u>2,311,404</u>
Noncurrent assets:			
Delinquent taxes	<u>133,027</u>	<u>-</u>	<u>133,027</u>
Total assets	<u>\$ 2,214,711</u>	<u>\$ 229,720</u>	<u>\$ 2,444,431</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 712	\$ 295	\$ 1,007
Due to other funds	<u>197,225</u>	<u>-</u>	<u>197,225</u>
Total liabilities	<u>197,937</u>	<u>295</u>	<u>198,232</u>
<b>NET ASSETS</b>			
Unrestricted	<u>2,016,774</u>	<u>229,425</u>	<u>2,246,199</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,214,711</u>	<u>\$ 229,720</u>	<u>\$ 2,444,431</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2007**

	DTRF	Nonmajor Enterprise Fund P.A. 123 Foreclosure	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 55,759	\$ 183,769	\$ 239,528
Rental and interest income	116,908	-	116,908
Total operating revenue	<u>172,667</u>	<u>183,769</u>	<u>356,436</u>
<b>OPERATING EXPENSES:</b>			
Supplies	207	3,270	3,477
Travel	-	394	394
Services	-	(356)	(356)
Printing and publishing	-	824	824
Miscellaneous	1,064	3,683	4,747
Total operating expenses	<u>1,271</u>	<u>7,815</u>	<u>9,086</u>
Operating income (loss)	<u>171,396</u>	<u>175,954</u>	<u>347,350</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Transfer out	(269,125)	(36,546)	(305,671)
Investment income	35,811	645	36,456
Total nonoperating revenues (expenses)	<u>(233,314)</u>	<u>(35,901)</u>	<u>(269,215)</u>
Change in net assets	(61,918)	140,053	78,135
Total net assets - beginning	<u>2,078,692</u>	<u>89,372</u>	<u>2,168,064</u>
Total net assets - ending	<u>\$ 2,016,774</u>	<u>\$ 229,425</u>	<u>\$ 2,246,199</u>

See accompanying notes to financial statements.



**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2007**

	DTRF	Nonmajor Enterprise Fund P.A. 123 Foreclosure	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 55,759	\$ 183,742	\$ 239,501
Receipts from interest and rents	125,096	-	125,096
Cash received for collection of taxes	1,082,048	-	1,082,048
Payments to suppliers	(1,271)	(8,043)	(9,314)
Cash payments for taxes	(1,061,924)	-	(1,061,924)
Other receipts (payments)	(34,630)	-	(34,630)
Net cash provided (used) by operating activities	<u>165,078</u>	<u>175,699</u>	<u>340,777</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfer out	<u>(269,125)</u>	<u>(36,546)</u>	<u>(305,671)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	<u>35,811</u>	<u>645</u>	<u>36,456</u>
Net increase (decrease) in cash and equivalents	<u>(68,236)</u>	<u>139,798</u>	<u>71,562</u>
Cash and equivalents, beginning of year	<u>1,503,140</u>	<u>89,496</u>	<u>1,592,636</u>
Cash and equivalents, end of year	<u>\$ 1,434,904</u>	<u>\$ 229,294</u>	<u>\$ 1,664,198</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 171,396	175,954	\$ 347,350
Changes in assets and liabilities:			
(Increase) decrease in receivables	(6,318)	(27)	(6,345)
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in accounts payable	-	(228)	(228)
Increase (decrease) in due to other funds	-	-	-
Total adjustments	<u>(6,318)</u>	<u>(255)</u>	<u>(6,573)</u>
Net cash provided by operating activities	<u>\$ 165,078</u>	<u>\$ 175,699</u>	<u>\$ 340,777</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
September 30, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 1,443,583
Due from other governmental units	<u>5</u>
Total assets	<u><u>\$ 1,443,588</u></u>
<b>LIABILITIES</b>	
Due to other funds	\$ 8,000
Due to other governmental units	1,288,473
Other liabilities	<u>147,115</u>
Total liabilities	<u><u>\$ 1,443,588</u></u>

See accompanying notes to financial statements.

## COUNTY OF MENOMINEE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Menominee was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Menominee.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Menominee County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has one component unit for which the financial data has been blended with the primary government financial statements.

Menominee County Library - The Menominee County Library is governed by a five-member board appointed by the County Board. Although it is legally separate from the County, the Library is reported as if it were part of the primary government because its primary purpose is to serve the population of Menominee County.

## COUNTY OF MENOMINEE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit sections in the Statement of Net Assets and the Statement of Activities include the financial data of the Menominee County Road Commission. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Menominee County Road Commission - The Menominee County Road Commission, which is established pursuant to the County Road law (MCL 224.1), is governed by an elected three member Board of Commissioners. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission may be obtained at the following address:

Menominee County Road Commission  
P.O. Box 527  
Stephenson, Michigan 49887

Joint Ventures - Menominee County is a participant in the following joint ventures:

Twin County Airport - Menominee County participates with Marinette County, Wisconsin, in a joint venture to operate the Twin County Airport located in the City of Menominee, Michigan. The Twin County Airport Commission (TCAC) was created for that purpose. The TCAC is governed by a six member board composed of three appointees from each county. Members from each county are appointed by the chairperson of that county, subject to the approval of the respective county board. Both counties are obligated by agreement to share equally in providing the local funds necessary for the operation and improvement of the airport. Each county maintains a fifty percent equity interest in the net assets of the Airport. During 2006, Menominee County remitted an operating appropriation of \$52,500 to the TCAC. Complete financial statements for the TCAC can be obtained from the TCAC office at 2801 North 22<sup>nd</sup> Street, Menominee, Michigan, 49858.

Pinecrest Medical Care Facility - Menominee County is a participant with Dickinson and Delta Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

## COUNTY OF MENOMINEE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta-Menominee District Health – Menominee County is a participant with Delta County in a joint venture to operate the Delta-Menominee District Health Department. The Delta-Menominee District Health Department Board was created for that purpose. The Delta-Menominee Health Department is governed by a six member board composed of three members appointed from each county. The Counties are obligated by agreement to a funding formula that requires Menominee County to provide 40% and Delta County 60% of the net budget appropriation requirements. During 2006, Menominee County remitted an operating appropriation of \$124,363 to the Health Department. Complete financial statements for the Delta-Menominee District Health Department can be obtained from the Department's office at 2920 College Avenue, Escanaba, Michigan, 49829.

#### Jointly Governed Organization

Northpointe Behavioral Healthcare Systems Authority – Menominee, Dickinson, and Iron Counties entered into an inter-local agreement on October 16, 1994 for the purpose of establishing an Authority to govern community mental health programs.

Northpointe was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7, is governed by a twelve member board. The board is made up of five members each from Menominee and Dickinson Counties and two members from Iron County. The County does not have an ongoing financial interest or an ongoing financial responsibility in Northpointe but did make an appropriation in the amount of \$99,608.

Complete financial statements for Northpointe can be obtained from their office located at 715 Pyle Drive, Kingsford, Michigan, 49802.

## COUNTY OF MENOMINEE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies - The accounting policies of the County of Menominee conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve – The Revenue Sharing Reserve fund accounts for the activities related to the passing of Public Act 357 of 2004, which requires the County to place \$1,159,297 from their December 2004, 2005 and 2006 levy into this fund and transfer a portion of those funds to the General Fund annually until the Revenue Sharing Reserve fund is depleted. The fund was created to supplement the County for the loss of State revenue sharing payments. The amount transferred to the General Fund is determined annually by the State of Michigan.

The County reports the following as major proprietary funds:

Delinquent Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additionally, the County reports the following fund types:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the P.A. 123 Foreclosure enterprise fund are fees charged to delinquent property owners as part of the foreclosure process and the sale of parcels of property at the land auction and the principal operating revenues of the Delinquent Tax Revolving fund are interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.



## COUNTY OF MENOMINEE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. During mid-year, County management submits to the County Board a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by County Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year will lapse unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the General Fund and special revenue funds.
- d. Expenditures may not exceed appropriations provided in detail budget accounts maintained for each activity of department of the County. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the County Board.
- e. Encumbrance accounting is not used by the County to record commitments related to unperformed contracts for goods or services.
- f. The general Michigan statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

## COUNTY OF MENOMINEE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are stated at cost or amortized cost which approximates market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal as cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1<sup>st</sup>, and are payable without penalty through the following February 28.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The December 2006 taxable valuation of Menominee County amounted to \$545,879,679 on which ad valorem taxes of 2.3804 mills were levied for county operations, 1.1100 mills for county road patrol, and .5709 mills for senior citizens programs. The December 2006 tax levy should raise approximately \$1,299,412 for County operating purposes, \$605,926 for road patrol and \$311,642 for senior citizens programs. The County also levied 7.1203 mills on July 1, 2007 on a taxable value of \$573,069,431 which should raise approximately \$4,080,426 for county operations.

In fiscal year 2007, the County was required by Public Act 357 of 2004, to set aside one-third of the calculated December 2004 levy from County operations (\$1,159,297) into the Revenue Sharing Reserve Fund, leaving the residual collection of about \$150,000 for County General Fund operations. In July 2007, the County levied a full levy of the property taxes for County operations and these funds will be used to fund operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes (continued)

Because County operating mills will be levied on July 1<sup>st</sup> for each fiscal year ended September 30, it is the County of Menominee's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Available means collected within the current period or expected to be paid from the delinquent tax revolving fund within one year.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$3,477,891 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$485,269 was transferred for fiscal year 2007. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2012 fiscal year.

Capital Assets – Capital assets, which include property, buildings and equipment assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30

**COUNTY OF MENOMINEE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2007

NOTE B - BUDGET AND FUND BALANCE NON-COMPLIANCE

Budget Violations - Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended September 30, 2007 expenditures were incurred in excess of amounts appropriated in the amended budgets for the following funds:

	Total Appropriation	Expenditures	Budget Variance
Revenue Sharing Reserve	\$ 467,955	\$ 485,269	\$ (17,314)
Friend of Court	-	6,396	(6,396)
Corrections Officers Training	5,000	9,429	(4,429)
911 Program	520,684	521,603	(919)
Homeland Security	-	17,803	(17,803)
Canteen	7,425	22,661	(15,236)
K-9	-	340	(340)
P.A. 302 Justice Training	-	1,716	(1,716)
Senior Citizens	311,643	319,272	(7,629)
Child Care	154,100	264,940	(110,840)
Veterans Trust	2,800	4,526	(1,726)

During the year ended September 30, 2007, expenditures were incurred in excess of the amounts appropriated in the amended budgets for certain activities or functions within the General Fund, however total expenditures did not exceed total appropriations.

Deficit Fund Balances – Deficits existed in the unreserved fund balances of the following funds as of September 30, 2007:

Remuneration	\$ 44,497
CDBG Housing	51,196
CERT	242
Child Care	94,241
Veterans Trust	613

Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - i. The purchase of securities on a when-issued or delayed delivery basis.
  - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
  - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of \$3,860. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 40, risk disclosures for deposits are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,127,766	\$ 1,132,489
Uninsured	<u>7,259,944</u>	<u>7,982,307</u>
Total cash	<u>\$ 8,387,710</u>	<u>\$ 9,114,796</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 6,944,127	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	<u>1,443,583</u>	
Total cash and equivalents	<u>\$ 8,387,710</u>	
Investments:		
Non-risk categorized investments:		
External investment pool	<u>\$ 171,793</u>	

**COUNTY OF MENOMINEE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

The County's cash and investments are subject to several types of risk, which are examined below in more detail:

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has \$7,982,307 of bank deposits that were uninsured and uncollateralized.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. The County's investment is in a 2a7-like investment pool, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investments in 2a7-like investment pools are not subject to interest rate risk disclosure.

**Credit Risk**

State law and the County's investment policy limits the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County's investments are with MBIA in a 2a7-like investment pool, which is not rated.



**COUNTY OF MENOMINEE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE D - INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivable and payable balances at September 30, 2007 represent short-term borrowings between funds and are summarized as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		Delinquent Tax Revolving	\$ 197,225
		Revenue Sharing Reserve	5,853
		County Section 125 Plan	5,000
		Friend of Court Trust	1,000
		Sheriff Inmate Trust	2,000
			<u>211,078</u>
General Fund	\$ 211,078	Subtotal	211,078
State-Special Child Care	<u>3,688</u>	General Fund	<u>3,688</u>
Revenue Sharing Reserve	<u>1,156,983</u>	General Fund	<u>1,156,983</u>
Local Emergency Planning	<u>-</u>	Homeland Security Grant	<u>-</u>
Total	<u>\$ 1,371,749</u>	Total	<u>\$ 1,371,749</u>

Financial Statement Presentation:

Governmental Funds	\$ 1,371,749	Governmental Funds	\$ 1,166,524
Proprietary Funds	-	Proprietary Funds	197,225
Fiduciary Funds	<u>-</u>	Fiduciary Funds	<u>8,000</u>
Total	<u>\$ 1,371,749</u>		<u>\$ 1,371,749</u>

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance at 10/01/06	Additions	Disposals	Balance at 09/30/07
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 193,709	\$ -	\$ -	\$ 193,709
Capital assets being depreciated:				
Land improvements	80,282	-	-	80,282
Buildings and improvements	4,112,205	93,905	-	4,206,110
Machinery and equipment	1,880,838	324,182	38,950	2,166,070
Total depreciable assets	6,073,325	418,087	38,950	6,452,462
Total capital assets	6,267,034	418,087	38,950	6,646,171
Less accumulated depreciation:				
Land improvements	5,293	2,202	-	7,495
Buildings and improvements	2,333,643	112,692	-	2,446,335
Machinery and equipment	991,368	190,036	24,521	1,156,883
Total accumulated depreciation	3,330,304	304,930	24,521	3,610,713
Net depreciable capital assets	2,743,021	113,157	14,429	2,841,749
Governmental activities capital assets, net	<u>\$ 2,936,730</u>	<u>\$ 113,157</u>	<u>\$ 14,429</u>	<u>\$ 3,035,458</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 31,371
General government	53,742
Public safety	186,516
Health and welfare	3,695
Recreation and culture	29,606
Total governmental activities depreciation expense	<u>\$ 304,930</u>

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/06	Additions	Disposals	Balance at 09/30/07
Capital assets not being depreciated:				
Land and improvements	\$ 18,100	\$ -	\$ -	\$ 18,100
Capital assets being depreciated:				
Buildings and improvements	1,104,470	20,850	-	1,125,320
Machinery and equipment	7,209,804	137,993	218,431	7,129,366
Infrastructure - bridges	7,813,565	812,992	-	8,626,557
Infrastructure - roads	40,002,711	2,442,967	1,320,162	41,125,516
Total depreciable capital assets	56,130,550	3,414,802	1,538,593	58,006,759
Total capital assets	56,148,650	3,414,802	1,538,593	58,024,859
Less accumulated depreciation:				
Buildings and improvements	511,844	26,237	(29,419)	567,500
Machinery and equipment	6,483,369	278,224	146,142	6,615,451
Infrastructure - bridges	2,215,707	211,204	-	2,426,911
Infrastructure - roads	17,632,848	2,173,900	1,320,162	18,486,586
Total accumulated depreciation	26,843,768	2,689,565	1,436,885	28,096,448
Net depreciable capital assets	29,286,782	725,237	101,708	29,910,311
Capital assets, net	\$ 29,304,882	\$ 725,237	\$ 101,708	\$ 29,928,411

### NOTE G - LONG - TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2007:

Type of Debt	Balance 10/1/2006	Additions	De ductions	Balance 9/30/2007	Due Within One Year
Governmental activities:					
Note payable - Wells Fargo					
community development	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -
Compensated absences	418,581	47,740	-	466,321	116,580
Alternative retirement	274,137	16,074	-	290,211	72,554
Total	\$ 742,718	\$ 63,814	\$ -	\$ 806,532	\$ 189,134

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE G – LONG – TERM DEBT (continued)

During 2003, Wells Fargo loaned the County \$50,000 for the purpose to organize, operate and manage the affairs, property, business and activities of an affordable housing purchase and rehabilitation revolving loan fund throughout the city and county of Menominee. Interest will be calculated at an initial fixed rate of 2% for the first ten years and 3.5% below the then ten year U.S. Treasury note rate for years thereafter. Interest is calculated monthly and payable quarterly. The principal balance of the note is not due until January 2013, however, Wells Fargo is obligated to extend the note for one year if the County satisfactorily performs all of its obligations. Annually thereafter, Wells Fargo has the option of extending the notes maturity date. Repayment of the note principal shall come from loan payment proceeds or the proceeds of the sale of a grantee's home. The County is under no obligation to repay loan funds from tax generated monies. The following is a summary of the required debt service payments.

For the Year Ending September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2008	\$ -	\$ 1,000
2009	-	1,000
2010	-	1,000
2011	-	1,000
2012	-	1,000
2013	50,000	4,000
Total	\$ 50,000	\$ 9,000

Accrued Vacation and Sick Liability – Employees earn annual vacation and sick leave days per year based on the number of years of service up to a maximum. Annual vacation and sick leave days are based on the various labor union contract terms and administrative policies of the different County operating units. An accrued liability for vacation and sick time in the amount of \$466,321 has been recorded in the statement of net asset under governmental activities.

Alternative Retirement – The County offers an alternative retirement payout to any employee who terminates his/her employment with the County, who has not met the requirements to vest in the Municipal Employees Retirement System (MERS) retirement plan.

Under the payout plan, the County will pay employees 100% of employee contributions to MERS and 4% of their current annual gross wages times the number of years worked under this plan.

At September 30, 2007, an accrued liability in the amount of \$290,211 was recorded under governmental activities in the statement of net assets.

**COUNTY OF MENOMINEE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE H - ROAD COMMISSION LONG-TERM DEBT**

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2006	Additions	Deductions	Balance 9/30/2007
Compensated Absences	\$ 300,186	\$ -	\$ 37,065	\$ 263,121

Vacation Benefits

Vacation is earned in varying amounts depending on the number of years of service of an employee. Road Commission policy provides that the vacation benefits earned in the current calendar year are to be paid to the employee in the subsequent calendar year.

Sick Leave Benefits

Effective January 1, 2005, each regular full-time employee receives 56 hours of sick leave. There is no limitation on the accumulation of unused sick leave time. Upon retirement or voluntary termination with 20 years of service and proper notice, employees who were hired before September 1, 1982 shall be paid 100% of their accumulated unused sick leave, up to a maximum of 480 hours. Employees hired after September 1, 1982, shall be paid 50% of their accumulated sick leave, up to a maximum of 120 hours.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE I - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are made to fund various County programs operational expenditures and are summarized as follows for the year ended September 30, 2007:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 790,939	\$ 744,937
Revenue Sharing Reserve	-	485,269
Road Patrol	165,320	-
County Parks	74,755	-
Park Improvement	10,000	-
Building Department	7,601	-
Law Library	13,800	-
County Library	229,819	-
Homeland Security Grant	22,404	-
2004 Homeland Security Grant	332	-
Child Care	181,571	-
State-Special Child Care	39,335	-
Enterprise Funds:		
P.A. 123 Foreclosure	-	36,545
Delinquent Tax Revolving	-	269,125
Total	<u>\$ 1,535,876</u>	<u>\$ 1,535,876</u>

### NOTE J - RETIREMENT PLANS

#### General County

Plan Description - The General County and the County Road Commission (discretely presented component unit) participate in a defined benefit retirement plan. The union personnel for the District Health Department participate in a defined benefit contributory plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

## COUNTY OF MENOMINEE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE J – RETIREMENT PLANS (continued)

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - The General County offers its various departments benefit B-3 with the exception of the County Library employees who have benefit C-1 Old. Under benefit B-3 employees shall receive 2.25% of their three-year final average compensation, with a maximum benefit of 80% of their three year final average compensation. Under benefit C-1 Old, an employee shall receive a benefit of 1.2% times the first \$4,200 of their three year final average compensation plus 1.7% times the portion of their three year final average compensation over \$4,200. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Administration office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE J – RETIREMENT PLANS (continued)

#### GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 5,589,319
Terminated employees not yet receiving benefits	512,763
Non-vested terminated employees	19,840
Current Employees:	
Accumulated employee contributions including allocated investment income	453,588
Employer financed	7,453,197
Total actuarial accrued liability	14,028,707
Net assets available for benefits, at actuarial value (market value is \$10,655,216 )	10,508,217
Unfunded (overfunded) actuarial accrued liability	\$ 3,520,490

#### GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	October 1, 2008
Annual required contribution (ARC)	\$ 547,464
Amortization factor used - Unfunded Liabilities (29 years)	0.054719
Amortization factor used - Unfunded Liabilities (26 years)	0.058519
Amortization factor used - Unfunded Liabilities (20 years)	0.069773
Amortization factor used - Unfunded Liabilities (30 years level \$)	0.085453
Amortization factor used - Overfunded Liabilities (10 years)	0.119963

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 423,305	100%	-
2005	495,582	100%	-
2006	503,402	100%	-

The General County was required to contribute \$518,536 and employee contributions were \$35,613 for the year ended September 30, 2007. Payments were based on contribution calculations made by MERS.



# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007

### NOTE J - RETIREMENT PLANS (continued)

#### Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 9,011,875	\$ 12,074,584	\$ 3,062,709	75%	\$ 3,157,432	97%
2005	9,682,408	12,979,919	3,297,511	75%	3,330,819	99%
2006	10,508,217	14,028,707	3,520,490	75%	3,417,951	103%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	2008 *	2007 *	2006 *	2008 *	2007 *	2006 *
Airport Employees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sheriff Nonunion	@	@	@	0.00%	0.00%	0.00%
Courthouse	13.77%	13.77%	14.14%	0.00%	0.00%	0.00%
Library Employees	@	@	@	0.00%	0.00%	0.00%
Buildings & Grounds Super	35.90%	35.90%	0.00%	2.30%	2.30%	0.00%
Courthouse Employees	14.95%	14.95%	14.92%	1.50%	1.50%	1.50%
Administrator	27.73%	27.73%	0.00%	0.00%	0.00%	0.00%
Sheriff Local 328	15.21%	15.21%	15.16%	2.30%	2.30%	2.30%
Undersheriff	@	@	46.23%	0.00%	0.00%	0.00%

\* Represents the actuarial required contribution for the beginning of the fiscal year.

@ This division is closed to new hires. Contributions, if any, are determined by MERS based on a dollar amount.

#### **County Road Commission (component unit)**

The Menominee County Road Commission has two pension plans: the American Express Financial Simplified Employee Pension Plan for its full-time employees, and the Michigan Employees' Retirement System for its full-time nonunion employees.

## COUNTY OF MENOMINEE, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

September 30, 2007

#### NOTE J - RETIREMENT PLANS (continued)

##### Union Employees' Plan – Profit Sharing Plan

All union employees were covered under a defined contribution pension plan with the American Express Financial Simplified Employee Pension Plan (effective January 1, 2000). The plan administrator is the Road Commission, who has established a trust fund administered by American Express Financial Advisors, Inc. During the fiscal year ended September 30, 2007, the Menominee County Road Commission's required and actual contributions amounted to \$138,810. Pension fund contributions are based on a fixed weekly rate for each employee covered by the collective bargaining agreement. The Road Commission's weekly contribution for each union employee was \$70. There were 38 union employees covered under this plan during 2007. The most recent period for which the value of the plan assets were available was for the fiscal year ended September 30, 2006.

##### Nonunion Employees Plan – Description of Plan and Plan Assets

The Menominee County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% time the final average compensation (FAC) for all general employees and 2.5% of the FAC for the manager and supervisors. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 18.62% for general employees and 23.33% for supervisors and 23.47% for the manager for the calendar year ending December 31, 2006.

Annual Pension Cost – During the calendar year ended December 31, 2006, the Road Commission's contributions totaling \$125,150 were made in accordance with the contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8%, annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases and the assumption that benefits will increase 2.5% per year (annually) after retirement.

**COUNTY OF MENOMINEE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

**NOTE J - RETIREMENT PLANS (continued)**

Three Year Trend Information for GASB Statement No. 27

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 116,273	100%	-
2005	115,220	100%	-
2006	125,150	100%	-

Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 1,999,441	\$ 3,095,555	\$ 1,096,114	65%	\$ 602,077	182%
2005	2,148,580	3,089,813	941,233	70%	595,930	158%
2006	2,350,619	3,370,265	1,019,646	70%	601,186	170%

**NOTE K - FUND EQUITY DESIGNATIONS/RESERVES**

A. Fund equity has been designated in the General Fund as follows:

Building projects	\$ 2,188,714
Prisoner board	179,597
District court - computer	1,754
Economic development	20,000
Marriage counseling	9,449
Administration	8,452
Library	40,000
Library	728
Total	<u>\$ 2,448,694</u>

B. Fund equity has been reserved for the following purposes:

- Fund balance of \$2,231 has been reserved in the Library Bequest fund as the unexpendable portion of fund balance.

## **COUNTY OF MENOMINEE, MICHIGAN**

### **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2007**

#### **NOTE L – RESTRICTED NET ASSETS**

The government-wide statement of net assets reports \$2,155,324 of restricted net assets which is restricted by enabling legislation.

#### **NOTE M - CONTINGENT LIABILITIES**

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

#### **NOTE N - RISK MANAGEMENT**

The County of Menominee participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members self-insurance retention limits along with certain other member specific costs.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance. At September 30, 2007, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

#### **NOTE O – SINGLE AUDIT**

The County of Menominee did not expend \$500,000 or more in federal funds, therefore a single audit in accordance with OMB Circular A-133 was not required.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**COUNTY OF MENOMINEE, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 4,103,435	\$ 4,103,435	\$ 4,475,076	\$ 371,641
License and permits	4,600	4,600	14,819	10,219
Federal sources	314,528	314,528	299,446	(15,082)
State sources	928,778	928,778	476,290	(452,488)
Local sources	10,000	10,000	20,028	10,028
Charges for services	594,280	594,280	714,067	119,787
Fines, forfeitures and penalties	42,525	42,525	73,675	31,150
Interest and rentals	127,000	127,000	182,947	55,947
Other	26,155	89,426	315,030	225,604
Total revenues	6,151,301	6,214,572	6,571,378	356,806
<b>EXPENDITURES:</b>				
Legislative	266,892	278,790	250,766	28,024
Judicial system:				
Circuit court	197,100	197,100	182,955	14,145
Family court	283,810	293,510	285,179	8,331
District court	472,839	472,839	478,732	(5,893)
Friend of court	244,028	244,262	247,533	(3,271)
Jury commission	6,191	6,191	6,045	146
Probate court	115,310	115,310	114,373	937
General government:				
Elections	41,700	41,700	33,301	8,399
Board of canvassers	1,250	1,250	1,091	159
Audit	-	-	26,500	(26,500)
Legal fees	10,000	10,000	2,497	7,503
Clerk	305,043	305,043	312,205	(7,162)
Administration	166,842	444,685	430,381	14,304
Equalization	152,826	152,826	143,685	9,141
Prosecuting attorney	400,529	400,529	392,394	8,135
Register of deeds	112,761	112,761	105,757	7,004
Treasurer	221,491	221,491	228,252	(6,761)
Cooperative extension	111,542	111,542	112,368	(826)
Buildings and grounds	349,089	369,385	358,868	10,517
Drain commissioner	539	539	538	1
Airport commission	52,500	52,500	52,500	-
Planning commission	950	950	388	562
Hospital building operations	-	-	150,573	(150,573)
Public safety:				
Sheriff and jail	1,604,247	1,622,288	1,572,923	49,365
ORV	10,686	10,686	6,830	3,856
Marine safety	12,482	12,482	8,965	3,517
Snowmobile law	11,979	11,979	6,935	5,044
Civil defense and emergency service	56,785	56,785	55,368	1,417
ATV education	8,806	8,806	563	8,243
Animal shelter	1,500	1,500	1,500	-
Health and welfare:				
Hazardous waste	16,600	16,600	14,242	2,358
Medical examiner	39,285	39,285	40,242	(957)
Veterans burial and relief	13,680	13,680	8,176	5,504
Veterans affairs	55,355	55,355	52,219	3,136
Delta-Menominee Health Department	127,063	127,063	128,295	(1,232)
Cigarette tax distribution	-	-	10,559	(10,559)
Mental health	99,608	99,608	99,608	-
Rescue squads	4,000	4,000	4,000	-
Convention facility tax	23,250	23,250	22,876	374
Rainbow house	2,500	2,500	2,500	-
Family independence Agency	12,500	12,500	8,000	4,500
Recreation and culture	13,600	13,600	13,600	-
Community and economic development	20,000	20,000	-	20,000
Capital outlay	-	-	78,325	(78,325)
Other - appropriations	53,871	33,254	-	33,254
Total expenditures	5,701,029	6,018,424	6,052,607	(34,183)
Excess revenues (expenditures)	450,272	196,148	518,771	322,623
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	197,225	466,350	790,939	324,589
Transfer out	(647,497)	(800,460)	(744,937)	55,523
Total other financing sources (uses)	(450,272)	(334,110)	46,002	380,112
Net changes in fund balances	-	(137,962)	564,773	702,735
Fund balances - beginning	4,036,741	4,036,741	4,036,741	-
Fund balances - ending	\$ 4,036,741	\$ 3,898,779	\$ 4,601,514	\$ 702,735

**COUNTY OF MENOMINEE, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**REVENUE SHARING RESERVE**  
**For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 2,597,951	\$ 2,597,951	\$ 1,159,297	\$ (1,438,654)
Interest	-	-	46,774	46,774
Total revenues	2,597,951	2,597,951	1,206,071	(1,391,880)
<b>EXPENDITURES:</b>				
General government	-	-	70	(70)
Excess revenues (expenditures)	2,597,951	2,597,951	1,206,001	(1,391,950)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(467,955)	(467,955)	(485,269)	(17,314)
Net changes in fund balances	2,129,996	2,129,996	720,732	(1,409,264)
Fund balances - beginning	1,347,594	1,347,594	1,347,594	-
Fund balances - ending	\$ 3,477,590	\$ 3,477,590	\$ 2,068,326	\$ (1,409,264)

## **COMBINING FUND FINANCIAL STATEMENTS**



**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2007**

	Special Revenue Funds			
	Road Patrol	County Parks	Friend of Court	Park Improvement
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ (18,205)	\$ 49,069	\$ 18,086	\$ 58,665
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	40,366	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 22,161</u>	<u>\$ 49,069</u>	<u>\$ 18,086</u>	<u>\$ 58,665</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 11,690	\$ 14,102	\$ 889	\$ -
Accrued payroll	10,471	2,000	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	3,097	-	-
Total liabilities	<u>22,161</u>	<u>19,199</u>	<u>889</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	-	29,870	17,197	58,665
Reserved	-	-	-	-
Total fund balances	<u>-</u>	<u>29,870</u>	<u>17,197</u>	<u>58,665</u>
Total liabilities and fund balances	<u>\$ 22,161</u>	<u>\$ 49,069</u>	<u>\$ 18,086</u>	<u>\$ 58,665</u>

See accompanying notes to financial statements.

Special Revenue Funds

Remonu- mentation	Building Department	ROD Automation	Corrections Officers Training	Drug Law Enforcement	911 Program	Law Library
\$ (39,163)	\$ 12,952	\$ 7,717	\$ 17,254	\$ 4,806	\$ 64,273	\$ 11,960
-	1,976	-	-	-	20,797	-
-	-	-	-	-	-	-
-	-	-	-	-	29,452	-
-	-	-	-	-	-	-
<u>\$ (39,163)</u>	<u>\$ 14,928</u>	<u>\$ 7,717</u>	<u>\$ 17,254</u>	<u>\$ 4,806</u>	<u>\$ 114,522</u>	<u>\$ 11,960</u>
\$ 5,334	\$ 878	\$ 100	\$ -	\$ -	\$ 3,636	\$ -
-	840	334	-	-	6,352	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,334</u>	<u>1,718</u>	<u>434</u>	<u>-</u>	<u>-</u>	<u>9,988</u>	<u>-</u>
(44,497)	13,210	7,283	17,254	4,806	104,534	11,960
-	-	-	-	-	-	-
<u>(44,497)</u>	<u>13,210</u>	<u>7,283</u>	<u>17,254</u>	<u>4,806</u>	<u>104,534</u>	<u>11,960</u>
<u>\$ (39,163)</u>	<u>\$ 14,928</u>	<u>\$ 7,717</u>	<u>\$ 17,254</u>	<u>\$ 4,806</u>	<u>\$ 114,522</u>	<u>\$ 11,960</u>

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2007**

	Special Revenue Funds			
	County Library	CDBG Wells Fargo	CDBG Housing	CERT
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 78,046	\$ 39,599	\$ (36,009)	\$ (242)
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 78,046</u>	<u>\$ 39,599</u>	<u>\$ (36,009)</u>	<u>\$ (242)</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 6,787	\$ -	\$ 15,187	\$ -
Accrued payroll	6,126	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>12,913</u>	<u>-</u>	<u>15,187</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	65,133	39,599	(51,196)	(242)
Reserved	-	-	-	-
Total fund balances	<u>65,133</u>	<u>39,599</u>	<u>(51,196)</u>	<u>(242)</u>
Total liabilities and fund balances	<u>\$ 78,046</u>	<u>\$ 39,599</u>	<u>\$ (36,009)</u>	<u>\$ (242)</u>

See accompanying notes to financial statements.

Special Revenue Funds

Local Emergency Planning	Homeland Security Grant	2004 Homeland Security Grant	Canteen	K-9	P.A. 302 Justice Training	Senior Citizens
\$ 570	\$ -	\$ -	\$ 48,094	\$ 6,723	\$ 12,445	\$ 2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,094</u>	<u>\$ 6,723</u>	<u>\$ 12,445</u>	<u>\$ 2</u>
\$ -	\$ -	\$ -	\$ 7,567	\$ 339	\$ 7,425	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	7,567	339	7,425	-
570	-	-	40,527	6,384	5,020	2
-	-	-	-	-	-	-
<u>570</u>	<u>-</u>	<u>-</u>	<u>40,527</u>	<u>6,384</u>	<u>5,020</u>	<u>2</u>
<u>\$ 570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,094</u>	<u>\$ 6,723</u>	<u>\$ 12,445</u>	<u>\$ 2</u>

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2007**

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>
	<u>Child Care</u>	<u>Veterans Trust</u>	<u>State-Special Child Care</u>	<u>Library Bequest</u>
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ (8,827)	\$ (613)	\$ (20,307)	\$ 2,231
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	3,688	-
Due from State of Michigan	-	-	22,029	-
Prepaid expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ (8,827)</u>	<u>\$ (613)</u>	<u>\$ 5,410</u>	<u>\$ 2,231</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 85,414	\$ -	\$ 3,702	\$ -
Accrued payroll	-	-	1,227	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>85,414</u>	<u>-</u>	<u>4,929</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	(94,241)	(613)	481	-
Reserved	-	-	-	2,231
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,231</u>
Total fund balances	<u>(94,241)</u>	<u>(613)</u>	<u>481</u>	<u>2,231</u>
Total liabilities and fund balances	<u>\$ (8,827)</u>	<u>\$ (613)</u>	<u>\$ 5,410</u>	<u>\$ 2,231</u>

See accompanying notes to financial statements.

Total  
Nonmajor  
Governmental  
Funds

---

\$ 309,126

22,773

3,688

91,847

-

---

\$ 427,434

\$ 163,050

27,350

-

3,097

---

193,497

---

231,706

2,231

---

233,937

---

\$ 427,434

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2007**

	Special Revenue Funds			
	Road Patrol	County Parks	Friend of Court	Park Improvement
<b>REVENUES:</b>				
Taxes	\$ 620,603	\$ -	\$ -	\$ -
Federal sources	21,575	-	-	-
State sources	87,984	-	-	-
Local sources	44,902	10,000	-	-
Charges for services	-	162,873	8,435	5,257
Fines, forfeitures and penalties	-	-	-	-
Interest and rentals	-	-	-	-
Other	7,825	5,264	-	-
Total revenues	782,889	178,137	8,435	5,257
<b>EXPENDITURES:</b>				
Judicial system	-	-	6,396	-
General government	-	-	-	-
Public safety	833,335	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	252,219	-	-
Capital outlay	66,400	957	-	-
Total expenditures	899,735	253,176	6,396	-
Excess revenues (expenditures)	(116,846)	(75,039)	2,039	5,257
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	165,320	74,755	-	10,000
Transfer out	-	-	-	-
Total other financing sources (uses)	165,320	74,755	-	10,000
Net changes in fund balance	48,474	(284)	2,039	15,257
Fund balances - beginning	(48,474)	30,154	15,158	43,408
Fund balances - ending	\$ -	\$ 29,870	\$ 17,197	\$ 58,665

See accompanying notes to financial statements.

Special Revenue Funds

Remonu- mentation	Building Department	ROD Automation	Corrections Officers Training	Drug Law Enforcement	911 Program	Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
103,890	-	-	-	-	118,953	-
-	-	-	-	-	-	-
-	83,272	31,675	6,343	-	340,778	-
-	-	-	-	345	-	3,500
-	-	-	-	-	-	-
-	-	-	-	-	8	-
103,890	83,272	31,675	6,343	345	459,739	3,500
-	-	-	-	-	-	8,011
116,877	70,062	17,370	-	-	-	-
-	-	-	9,429	-	521,603	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	11,758	-	-	-	-
116,877	70,062	29,128	9,429	-	521,603	8,011
(12,987)	13,210	2,547	(3,086)	345	(61,864)	(4,511)
-	7,601	-	-	-	-	13,800
-	-	-	-	-	-	-
-	7,601	-	-	-	-	13,800
(12,987)	20,811	2,547	(3,086)	345	(61,864)	9,289
(31,510)	(7,601)	4,736	20,340	4,461	166,398	2,671
\$ (44,497)	\$ 13,210	\$ 7,283	\$ 17,254	\$ 4,806	\$ 104,534	\$ 11,960



**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2007**

	Special Revenue Funds			
	County Library	CDBG Wells Fargo	CDBG Housing	CERT
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	12,980	-	46,518	-
Local sources	1,250	3,081	7,952	-
Charges for services	-	-	-	-
Fines, forfeitures and penalties	93,974	-	-	-
Interest and rentals	-	-	-	-
Other	15,631	-	-	-
Total revenues	123,835	3,081	54,470	-
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	873
Health and welfare	-	-	-	-
Recreation and culture	382,133	2,073	105,568	-
Capital outlay	-	-	-	-
Total expenditures	382,133	2,073	105,568	873
Excess revenues (expenditures)	(258,298)	1,008	(51,098)	(873)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	229,819	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	229,819	-	-	-
Net changes in fund balance	(28,479)	1,008	(51,098)	(873)
Fund balances - beginning	93,612	38,591	(98)	631
Fund balances - ending	\$ 65,133	\$ 39,599	\$ (51,196)	\$ (242)

See accompanying notes to financial statements.

Special Revenue Funds

Local Emergency Planning	Homeland Security Grant	2004 Homeland Security Grant	Canteen	K-9	P.A. 302 Justice Training	Senior Citizens
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319,128
-	-	18,599	-	-	-	-
-	-	-	-	-	6,736	-
-	-	-	18,132	2,084	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	18,599	18,132	2,084	6,736	319,128
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	22,661	340	1,716	-
-	-	-	-	-	-	319,272
-	-	-	-	-	-	-
-	-	17,803	-	-	-	-
-	-	17,803	22,661	340	1,716	319,272
-	-	796	(4,529)	1,744	5,020	(144)
-	22,404	332	-	-	-	-
-	-	-	-	-	-	-
-	22,404	332	-	-	-	-
-	22,404	1,128	(4,529)	1,744	5,020	(144)
570	(22,404)	(1,128)	45,056	4,640	-	146
\$ 570	\$ -	\$ -	\$ 40,527	\$ 6,384	\$ 5,020	\$ 2

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2007**

	Special Revenue Funds			Permanent Fund
	Child Care	Veterans Trust	State-Special Child Care	Library Bequest
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	43,750	-
State sources	29,392	4,000	71,169	-
Local sources	8,662	-	1,379	-
Charges for services	14,683	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Interest and rentals	-	-	-	44
Other	2,112	-	-	-
Total revenues	54,849	4,000	116,298	44
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	264,940	4,526	147,517	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	264,940	4,526	147,517	-
Excess revenues (expenditures)	(210,091)	(526)	(31,219)	44
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	181,571	-	39,335	-
Transfer out	-	-	-	-
Total other financing sources (uses)	181,571	-	39,335	-
Net changes in fund balance	(28,520)	(526)	8,116	44
Fund balances - beginning	(65,721)	(87)	(7,635)	2,187
Fund balances - ending	\$ (94,241)	\$ (613)	\$ 481	\$ 2,231

See accompanying notes to financial statements.

Total Nonmajor Governmental Funds	
<hr/>	
\$	939,731
	83,924
	481,622
	97,442
	653,316
	97,819
	44
	30,840
	<hr/>
	2,384,738
	<hr/>
	14,407
	204,309
	1,389,957
	736,255
	741,993
	96,918
	<hr/>
	3,183,839
	<hr/>
	(799,101)
	<hr/>
	744,937
	<hr/>
	-
	<hr/>
	744,937
	<hr/>
	(54,164)
	<hr/>
	288,101
	<hr/>
\$	233,937
	<hr/>

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**September 30, 2007**

	General Trust and Agency	County Section 125 Plan	Payroll Trust	Library Penal Fines
<b>ASSETS</b>				
Cash and cash equivalents:				
Unrestricted	\$ 1,302,329	\$ 12,889	\$ 55,597	\$ 43,034
Due from other governmental units	5	-	-	-
Total assets	<u>1,302,334</u>	<u>12,889</u>	<u>55,597</u>	<u>43,034</u>
<b>LIABILITIES</b>				
Due to other funds	-	5,000	-	-
Due to other governmental units	1,279,516	-	8,957	-
Other liabilities	22,818	7,889	46,640	43,034
Total liabilities	<u>\$ 1,302,334</u>	<u>\$ 12,889</u>	<u>\$ 55,597</u>	<u>\$ 43,034</u>

See accompanying notes to financial statements.

District Court Bonds Payable	Friend of Court Trust	Sheriff Inmate Trust	Totals
\$ 15,899	\$ 968	\$ 12,867	\$ 1,443,583
-	-	-	5
15,899	968	12,867	1,443,588
-	1,000	2,000	8,000
-	-	-	1,288,473
15,899	(32)	10,867	147,115
\$ 15,899	\$ 968	\$ 12,867	\$ 1,443,588



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Commissioners  
County of Menominee  
Menominee, MI 49858

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Menominee, Michigan as of and for the year ended September 30, 2007, which collectively comprise the County of Menominee, Michigan's basic financial statements and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Menominee, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Menominee, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Menominee, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Menominee, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Menominee, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the County of Menominee, Michigan's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1. Deficiency – Cash had not been reconciled between the bank statements and the County general ledger for the entire fiscal year.

Management Response – With the turn over of employees being trained for reconciliation of bank accounts, the Treasurers office could not catch up on bank reconciliations to the general ledger. A total of four different employees were trained to do bank reconciliations in the course of twelve months. Hopefully stability of employment will correct the issue.

2. Deficiency – Material audit adjustments were required properly accrue revenues and expenditures and to properly classify activity.

Management Response – Monitoring of accruals was given to the third part time employee. After she left in November, it was discovered that she did not follow the directions. This was too late to enter the accruals. Hopefully stability of employment will assist in correcting this issue.

3. Deficiency – Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America.

Management Response – Management is aware of this requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Menominee, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider all of the significant deficiencies listed above to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Menominee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below:

1. Condition – Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue funds, as well as amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. The County had several funds where actual expenditures exceeded those provided for in the appropriated budget.


Management Response – Budgets will be monitored by the department heads and the County Administrator on a monthly basis.



We also noted certain other matters that we reported to management of the County of Menominee, Michigan in a separate letter dated March 21, 2008.

The County of Menominee, Michigan's response to the findings identified in our audit is described above. We did not audit the County of Menominee, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Anderson, Tackman & Company P.L.C." in a cursive, flowing script.

Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 21, 2008

**COUNTY OF MENOMINEE, MICHIGAN**

**REPORT TO MANAGEMENT**

**Year Ended September 30, 2007**



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

## **REPORT TO MANAGEMENT**

Members of the Board of Commissioners  
County of Menominee, Michigan

We have audited the financial statements of the County of Menominee, Michigan for the year ended September 30, 2007, and have issued our reports thereon dated March 21, 2008. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated August 1, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the County of Menominee, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Menominee's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Menominee, Michigan are described in Note A of the financial statements. We noted no transactions entered into by the County of Menominee, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures, and to reclassify posting errors.

#### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Menominee, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Menominee's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

Members of the Board of Commissioners  
County of Menominee, Michigan

Comments and Recommendations

In planning and performing our audit of the financial statements of the County of Menominee, Michigan, for the year ended September 30, 2007, we considered the County of Menominee, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 21, 2008, on the financial statements of the County of Menominee, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Menominee County Board of Commissioners, management and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 21, 2008

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2007**

**Repeat Comments From the Prior Year**

**Budget Violations**

**Comment:**

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2007, there were various funds where expenditures exceeded appropriations. It was also noted that several funds had a deficit fund balance.

**Recommendation:**

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations and that a deficit elimination plan be developed and submitted to the Michigan Department of Treasury for funds in a deficit fund balance position.

**Management Response:**

Accounts were monitored on a monthly basis by department heads, the monthly reports distributed are now up to date and monitored by the Administrator as well. Special revenue funds continue to be a problem, and they will be monitored more closely and those expenditures controlled.

**Improper Account Classification**

**Comment:**

We noted several instances in which amounts were receipted into incorrect line items or funds.

**Recommendation:**

Caution should be taken in the account coding and posting process to make certain each receipt is properly classified into the appropriate line item in order to maintain comparability from year to year and budgetary control.

**Management Response:**

The Treasurer's Office has a new person in place to hopefully correct this problem.

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2007**

**Inmate Trust Bank Account**

**Comment:**

We noted several checks in the inmate trust account which were over one year old.

**Recommendation:**

We recommend these outstanding checks be escheated to the State of Michigan. The Sheriffs department may also consider establishing a petty cash drawer at the jail and pay inmates with balances of \$5 or less in cash to avoid issuing checks for small amounts that typically do not get cashed.

**Management Response:**

With the adoption of the new collection policies after last years audit, along with the state mandated fees, and their implementation there are very few times that an inmate will be released from jail with any funds in his/her account. When an inmate is released from the county jail, if he/she has funds in their account, then a check will be issued from the Cobra Banking System to that respective inmate. After the inmate is released and a check has been issued, we do not have any knowledge if that check has been cashed or not. That information is received by the Menominee County Treasurer, and follow up should occur in that office.

**Accounts Receivable Reconciliation**

**Comment:**

During our testing of the Delinquent Tax Revolving Fund we noted that the accounts receivable balance for charge backs was not reconciled.

**Recommendation:**

To improve internal controls over accounts receivable, an individual should reconcile these types of accounts on a monthly basis to ensure that the activity is being recorded properly.

**Management Response:**

The accounts receivable and payable that the Treasurer's Office is responsible for, will be balanced on a monthly basis.

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2007**

**Bank Reconciliations**

**Comment:**

We noted that bank reconciliation's are not being performed timely and were not performed at all during the 2007 fiscal year. There is an unresolved cash variance of \$6,292 from prior years recorded in the General Fund and we also noted during our testing, a difference in the cash balance between the bank statements and the county general ledger of \$21,978.

**Recommendation:**

Bank reconciliation's are an integral part of the internal controls and should be completed by the end of the subsequent month. The County Treasurer is the custodian of the County's funds, therefore, an individual in the Treasurers office who does not physically handle the cash should perform the bank reconciliation's.

**Management Response:**

The Treasurer's office is following this recommendation.

**Journal Entries**

**Comment:**

During our analysis of journal entries, we noted many journal entries posted to correct prior journal entries as well as several journal entries which were posted in error.

**Recommendation:**

Before journal entries are posted, the County should ensure that they are properly recorded to the correct accounts and that the entry as posted is valid and appropriate. This procedure should be performed by the individual who reviews and approves the journal entry, not the individual initiating the journal entry.

**Management Response:**

Management will review the process and if need be, take corrective action to prevent any future problems.



**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2007**

**Current Year Comments and Recommendations**

**Investment Policy**

**Comment:**

GASB Statement 40 relates to various deposit and investment disclosure requirements as they relate to different types of risks associated with those deposits and investments.

**Recommendation:**

The County should consider updating its investment policy to consider each of the new risks as outlined in GASB Statement 40.

**Management Response:**

The County will review this and update the investment policy as needed.

**Undistributed CFR Funds**

**Comment:**

We noted there are commercial forest reserve funds which were collected in fiscal year 2006 and were not distributed as of September 30, 2007.

**Recommendation:**

The County should investigate the proper allocation of these funds and distribute them as soon as possible.

**Management Response:**

This will be investigated and the funds will be distributed as soon as possible.



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Laura L. Schwalbach, CPA

To the Menominee County Board  
of Commissioners

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Menominee County as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Menominee County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- Material audit adjustments were required to the trial balances to properly accrue revenues, expenditures and to reclassify posting errors.
- Cash had not been reconciled between the bank statements and the County general ledger for the entire fiscal year.
- Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

- All of the significant deficiencies noted above are considered material weaknesses.

This communication is intended solely for the information and use of management, the County Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 21, 2008